

MAHER
SHOES
ONTARIO
LIMITED

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ANNUAL
REPORT

January 31st, 1966



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MAHER SHOES ONTARIO LIMITED

TORONTO, CANADA

BOARD OF DIRECTORS

LANE R. CHESTER

EARL H. ORSER

DONALD G. WILLMOT

JACK B. COUTTS

GEORGE F. TRAVELLE

GEORGE M. WILSON

THOMAS P. WILSON

OFFICERS

LANE R. CHESTER	PRESIDENT
JACK B. COUTTS	VICE-PRESIDENT
GEORGE F. TRAVELLE	SECRETARY
MALCOLM G. FRAZER, C.A.	TREASURER
THOMAS P. WILSON	SUPERVISOR — MAHER STORES
MELVILLE P. DAVIS	SUPERVISOR — BONITA STORES
ECKHARDT J. BAKER	SUPERVISOR — LEASED DEPTS.
JOHN R. LEWIS	PRODUCTION MANAGER
HARRY G. YOUNG	SALES MANAGER

AUDITORS

CLARKSON, GORDON & Co. TORONTO

SOLICITORS

KILMER, RUMBALL, GORDON, DAVIS AND SMITH TORONTO

REGISTRAR AND TRANSFER AGENT

THE CANADA TRUST COMPANY TORONTO

HEAD OFFICE

144 FRONT STREET WEST

TORONTO 1

MAHER SHOES ONTARIO LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

FINANCIAL

On April 24, 1965 Maher Shoes Limited and Farnsworth Stores Limited (whose only major asset was its holding of substantially all the shares of Maher Shoes Limited) amalgamated to form Maher Shoes Ontario Limited; the corporate changes made at that time were described in full in the company's prospectus dated June 4, 1965. The attached financial statements combine the operations of the company and its two predecessor companies for the twelve months ended January 31, 1965. As this is the first annual report of the new Company, following the recapitalization of the amalgamated companies, the balance sheet and related earnings statements have not been shown in comparative form. We have, however, endeavoured to show below some features of the operations of the company which can be reasonably compared and it is intended to resume the practice of providing full comparative statements next year.

The company recorded substantial increases in both sales and earnings during the year ended January 31, 1966. Sales increased by 12.3% over the previous year compared with an increase of 6.3% reported by the Dominion Bureau of Statistics for the retail shoe trade in Canada for the year ended December 31, 1965.

Net earnings for the year were \$432,539 compared with \$390,236 for the 1965 fiscal year of Maher Shoes Limited. Due to the recapitalization of the company during the year, a more meaningful comparison is that of earnings before interest and income taxes which were \$1,011,437 compared with \$765,469 in the previous year, an increase of 32%.

The following statement of earnings has been prepared to provide a comparison of the company's 1966 fiscal year earnings with those of Maher Shoes Limited for the year ended January 31, 1965.

STATEMENT OF EARNINGS

	1966	1965
Earnings before depreciation, interest and income taxes	\$1,175,932	\$917,432
Provision for depreciation (including amortization of improvements to store premises)	164,495	151,963
Operating profit before interest and income taxes	1,011,437	765,469
Deduct:		
Debenture interest (including \$4,860 amortization of debenture commission and issue expenses)	89,811	
Bank and other interest (net)	21,087	(7,767)
	110,898	(7,767)
Earnings before income taxes	900,539	773,236
Income taxes	468,000	383,000
Net earnings for the year	\$ 432,539	\$ 390,236

Earnings for the year ended January 31, 1966 are equivalent to \$1.63 per common share. This figure has been determined by deducting a full year's interest on the 6¼% debentures and a full year's dividend payment on the 60¢ preference shares, whereas both were outstanding for only a portion of the fiscal year. A higher earnings per share figure would be obtained if the actual debenture interest paid or accrued and the actual dividends paid on the preference shares were deducted from earnings. This higher earnings per share figure has not been shown in order to avoid having any shareholder inadvertently draw an incorrect conclusion.

The new common shares, as well as the 60¢ preference shares, were outstanding for a part of the year only. The Board of Directors in declaring the quarterly dividends, has established an annual rate of 42 cents per common share, which is presently in effect.

MAHER DIVISION

The Maher Shoe Stores Division, comprising 104 stores, provides the largest share of the total sales. This division caters to the family trade and retails popular-priced footwear. Its policy of a high standard of service and satisfaction to customers has contributed to a significant increase in both sales and earnings over the previous year.

BONITA DIVISION

The Bonita Beautiful Shoe Division is presently operating eleven shoe salons. It merchandises high fashioned women's shoes and accessories, exclusively, that appeal to young modern women. It is especially gratifying to be able to report that this division also recorded a marked advance in both volume and earnings.

LEASED DEPARTMENTS

The Leased Shoe Departments comprised nine units at the end of the year and a further three units have since been opened. These shoe departments are located in both regular and self-serve department stores. This division enjoys a favourable sales volume, although the percentage of gross profit to sales derived from self-serve departments is lower than the normal mark-up obtained from conventional shoe stores.

MANUFACTURING AND WHOLESALE DIVISION

The manufacturing and wholesale divisions operate on a smaller scale, relatively speaking, than the retail divisions of the company. Nevertheless, both divisions experienced satisfactory results for the year just ended.

EXPANSION AND MODERNIZATION

The company intends to continue its policy of expansion and modernization in order to improve its favourable position in the retail shoe market. During the past year eleven new units were opened, of which five replaced smaller units that were closed, for a net gain of six units, all in key market areas. In addition, eleven stores were renovated and improved during the year.

At 31st January 1966 the company was operating 124 units which may be summarized as follows:—

Maher Division	104 units
Bonita Division	11 units
Leased Departments	9 units
	124

Since 31st January 1966 an additional four units have been opened consisting of three leased departments and one Bonita Shoe Salon. Several other leases are presently under negotiation.

OUTLOOK

In spite of the continuous pressure of increasing costs, we anticipate another good year in 1966. At the present time, the shoe industry faces a period of unsettled retail prices, which has been brought about by a substantial increase in leather costs, resulting from an increase in the price of hides. It is apparent that some upward adjustment of retail shoe prices cannot be avoided, although it will be our policy to maintain current retail prices as long as reasonably possible.

MR. DAVID RUSSELL

The year was marred by the death, on December 19, 1965 of Mr. David Russell, a director of the company. He held the esteem and affection of all those with whom he was associated and we are grateful that it was our privilege to have known him as a man of integrity and sound judgement. The directors elected Mr. Earl H. Orser to the board to fill the vacancy thus created.

APPRECIATION

The past year has been one in which it has been necessary to exert every effort to meet the new merchandising challenges that arise constantly in a rapidly changing retail market; this has resulted in intense activity in all departments. The excellent results reflected in the financial statements are due in no small measure to the loyalty, enthusiasm and competency of the staffs in all departments and the directors wish to express their thanks to each member of the staff for his or her contribution. Appreciation is also extended to the shareholders and our many good customers for their continued support, co-operation and patronage.

On behalf of the Board of Directors

Lane R. Chester,

PRESIDENT.

May 9, 1966

AUDITORS' REPORT

To the Shareholders of

Maher Shoes Ontario Limited:

We have examined the balance sheet of Maher Shoes Ontario Limited as at January 31, 1966 and the statements of earnings and retained earnings for the company and its predecessor companies for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the company as at January 31, 1966 and the results of operations of the company and its predecessor companies for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,

April 4, 1966.

CLARKSON, GORDON & CO.,

Chartered Accountants.

MAHER SHOES ON

(Incorporated under the

BALANCE

JANUARY

A S S E T S

CURRENT:

Cash	167,219	
Accounts receivable	127,148	
Inventories, valued at the lower of cost or market	1,989,030	
Prepaid expenses	43,832	\$2,327,229

FIXED:

Buildings at appraised value with subsequent additions at cost (note 2)	699,169	
Fixtures and equipment, at cost	1,116,797	
	1,815,966	
Less accumulated depreciation	813,346	
	1,002,620	
Land at appraised value (note 2)	663,000	
Improvements to store premises, at cost less accumulated amortization	295,907	1,961,527

OTHER:

Debenture commissions and issue expenses, at cost less amortization	48,029	
Excess of cost of investment in a predecessor company over the values assigned to its tangible assets as at date of acquisition (note 2)	1,172,595	1,220,624
		<u>\$5,509,380</u>

See notes to financial statements

ONTARIO LIMITED

(In accordance with the laws of Ontario)

SHEET

31, 1966

L I A B I L I T I E S

CURRENT:

Accounts payable and accrued charges	401,773	
Income and other taxes payable	<u>639,759</u>	\$1,041,532

LONG-TERM DEBT:

61¼% Sinking Fund Debentures Series A maturing April 1, 1987		1,750,000
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SHAREHOLDERS' EQUITY:

Capital (note 1)—

Authorized:

156,675 60¢ cumulative preference shares
without par value (non-redeemable)
400,000 common shares without par value

Issued:

156,666 60¢ cumulative preference shares ..	1,413,127	
200,000 common shares	<u>1,032,816</u>	

2,445,943

Retained earnings	<u>271,905</u>	2,717,848
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\$5,509,380

On behalf of the Board:

LANE R. CHESTER, Director

JACK B. COUTTS, Director

ial statements.

MAHER SHOES ONTARIO LIMITED
and its predecessor companies

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JANUARY 31, 1966

Retained earnings (deficit) of amalgamating companies:

Maher Shoes Limited, balance at February 1, 1965	\$3,704,704
Farnsworth Stores Limited, balance at April 24, 1965	(28,104)

Add net earnings for the year	432,539
	<u>4,109,139</u>

Deduct:

Retained earnings of Maher Shoes Limited at January 31, 1965 (control having been acquired by Farnsworth Stores Limited on January 29, 1965) eliminated upon amalgamation	3,704,704
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Dividends—

Class A preference shares—accrued dividends to date of redemption	10,384	
Class B preference shares—41.2¢ per share	64,546	
Common shares—28.8¢ per share	<u>57,600</u>	132,530
		<u>3,837,234</u>

Balance, January 31, 1966	<u><u>\$ 271,905</u></u>
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See notes to financial statements.

MAHER SHOES ONTARIO LIMITED
and its predecessor companies

STATEMENT OF EARNINGS

FOR THE YEAR ENDED JANUARY 31, 1966

Earnings before depreciation, interest and income taxes	1,175,932	
Provision for depreciation (including amortization of improvements to store premises)	<u>164,495</u>	
Operating profit before interest and income taxes		\$1,011,437
Deduct:		
Debenture interest (including \$4,860 amortization of debenture commission and issue expenses	89,811	
Bank and other interest (net)	<u>21,087</u>	<u>110,898</u>
Earnings before income taxes		900,539
Income taxes		<u>468,000</u>
Net earnings for the year		<u><u>\$ 432,539</u></u>

See notes to financial statements.

MAHER SHOES ONTARIO LIMITED
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1966

1. On April 24, 1965 letters patent of amalgamation were obtained to amalgamate Maher Shoes Limited with Farnsworth Stores Limited (whose only major asset was its holding of substantially all the shares of Maher Shoes Limited) to form Maher Shoes Ontario Limited.

The share capital of the amalgamating companies issued and outstanding prior to the amalgamation consisted of:

Farnsworth Stores Limited (of which all the preference shares were issued subsequent to January 31, 1965 for \$3,938,555 cash and 80,000 common shares were issued at the same time for \$736,000 cash)—			
81,862 5¾% Class A redeemable preference shares with a par value of \$31 each	2,537,722		
155,303 Class B cumulative, non-redeemable preference shares without par value	1,400,833		
200,000 common shares without par value	1,086,000	\$5,024,555	
Maher Shoes Limited —			
125,000 common shares without par value		125,000	
		5,149,555	
Less 123,637 shares of Maher Shoes Limited owned by Farnsworth Stores Limited cancelled on amalgamation		123,637	
		<u>\$5,025,918</u>	

The following share capital was issued on amalgamation:

Class A 5¾% preference shares redeemable at par—			
81,862 shares to Class A preference shareholders of Farnsworth Stores Limited			
1,363 shares to the minority shareholders of Maher Shoes Limited			
83,225 shares with a par value of \$31 each	\$2,579,975		
Class B 60¢ cumulative preference shares (non-redeemable)—			
155,303 shares to Class B preference shareholders of Farnsworth Stores Limited			
1,363 shares to the minority shareholders of Maher Shoes Limited			
156,666 shares without par value	1,413,127		
200,000 Common shares without par value to the common shareholders of Farnsworth Stores Limited	1,032,816		
		<u>\$5,025,918</u>	

Subsequent to the amalgamation, all 83,225 Class A preference shares were redeemed for cash at their par value plus accrued dividend to date of redemption and the Class B preference shares were redesignated as 60¢ cumulative preference shares.

2. The company's head office and warehouse building was appraised on April 5, 1965 by Eastern & Chartered Trust Company at market value. Subsequently, the company sold the building at its appraised value of \$625,000 (which was \$94,801 in excess of net book value) and then leased it back until October 14, 1990 at an annual rental of \$43,884, the company also to pay all municipal taxes and insurance premiums and to be responsible for all repairs.

The retail store properties were appraised on the basis of depreciated replacement value of the lands and buildings on March 24, 1965 by Dominion Appraisal Company Limited. The appraised values of such lands and buildings exceeded the net book values at which these assets appeared on the books of Maher Shoes Limited by \$285,995.

The resulting appraisal surpluses totalling \$380,796 have been applied to reduce the excess of the cost of the investment in a predecessor company over the book values of its tangible assets at the date of acquisition.

MAHER SHOE STORES

ARE LOCATED

IN METROPOLITAN TORONTO

1254 BLOOR STREET WEST	730 QUEEN STREET EAST
582 COLLEGE STREET	2038 QUEEN STREET EAST
709 DANFORTH AVENUE	566 QUEEN STREET WEST
2036 DANFORTH AVENUE	1410 QUEEN STREET WEST
1470 DUNDAS STREET WEST	293 RONGESVALLES AVENUE
2920 DUNDAS STREET WEST	1192 ST. CLAIR AVENUE WEST
1034 GERRARD STREET EAST	1706 ST. CLAIR AVENUE WEST
1443 GERRARD STREET EAST	MOUNT DENNIS
980 KINGSTON ROAD	LONG BRANCH
423 PARLIAMENT STREET	NEW TORONTO
463 PARLIAMENT STREET	

AND THROUGHOUT ONTARIO

AURORA	GUELPH	PETERBOROUGH
BARRIE	HAMILTON	PICTON
BELLEVILLE	13 MARKET SQUARE	PORT HOPE
BOWMANVILLE	54 JAMES ST. NORTH	RENFREW
BRACEBRIDGE	HUNTSVILLE	SAULT STE. MARIE
BRAMPTON	KINGSTON	ST. CATHARINES
CARLETON PLACE	KIRKLAND LAKE	ST. MARYS
CHATHAM	KITCHENER	ST. THOMAS
COBOURG	LISTOWEL	SARNIA
COLLINGWOOD	NIAGARA FALLS	SIMCOE
DUNDAS	NORTH BAY	SMITHS FALLS
DUNNVILLE	ORANGEVILLE	STRATFORD
ESPANOLA	ORILLIA	TILLSONBURG
ELLIOT LAKE	OWEN SOUND	TRENTON
GEORGETOWN	PARIS	WALLACEBURG
GODERICH	PEMBROKE	WELLAND
GRAVENHURST	PENETANGUISHENE	WINDSOR
GRIMSBY	PERTH	WOODSTOCK

MAHER SHOE STORES

ARE LOCATED

IN SHOPPING PLAZAS

AJAX	AJAX	LUNDY'S LANE . .	NIAGARA FALLS
APPLEWOOD VILLAGE . .	TORONTO	MOUNTAIN PLAZA . .	HAMILTON
BELLEVILLE	BELLEVILLE	NEWMARKET	NEWMARKET
BROOKDALE	PETERBOROUGH	NEWTONBROOK . . .	TORONTO
CEDAR HEIGHTS	TORONTO	NORTHTOWN	TORONTO
THE CENTRE	HAMILTON	OAK-QUEEN	OAKVILLE
CLOVERDALE MALL . . .	TORONTO	OSHAWA	OSHAWA
DOWNSVIEW	TORONTO	PARKWAY	TORONTO
DUFFERIN	TORONTO	PEN CENTRE	MERRITON
EGLINTON SQUARE . . .	TORONTO	SHOPPERS' WORLD . .	TORONTO
FENNEL	HAMILTON	SKY-WAY	STONEY CREEK
FINCHURST	TORONTO	VALLEY PLAZA	HANMER
GUELPH	GUELPH	UNIVERSITY	DUNDAS
KIPLING HEIGHTS . . .	TORONTO	WHITE SHIELD	TORONTO
WOODVIEW PARK	WESTON	YORKDALE	TORONTO

BONITA BEAUTIFUL SHOE SALONS

ARE LOCATED AT

	KINGSTON	KITCHENER	LONDON
		OSHAWA	WINDSOR
121 KING ST.	HAMILTON	EGLINTON SQUARE . .	TORONTO
THE CENTRE	HAMILTON	NORTHTOWN	TORONTO
DUFFERIN PLAZA	TORONTO	SHOPPERS' WORLD . .	TORONTO

LEASED DEPARTMENTS

ARE LOCATED IN

SENTRY DEPARTMENT STORES

WINDSOR	KINGSTON	SARNIA
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G.E.M. DEPARTMENT STORES

LONDON	TORONTO
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GRAND RIVER DEPARTMENT STORE	GALT
HUDSON'S DEPARTMENT STORE	LONDON
RITE-WAY DEPARTMENT STORE	BRAMPTON
RYAN'S OF GUELPH	GUELPH

